

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Pan American Bank / American Bancorp of Illinois Inc.

Point of Contact:	Nicholas S. Giuliano	RSSD: (For Bank Holding Companies)	2343167
UST Sequence Number:	1454	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	5,457,000	FDIC Certificate Number: (For Depository Institutions)	34108
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	September 17, 2010	City:	Chicago
Date Repaid ¹ :	N/A	State:	Illinois

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Pan American Bank was able to increase its lending by over \$8.3MM in Q4 2010, compared to the average of the 7 quarters prior to receiving the CPP/CDCI Funds.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Major types of loans associated with the increased lending were for Affordable Housing, Small Businesses, Business/Commercial Mortgages, and Personal/Consumer Loans.

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☐ Increase securities purchased (ABS, MBS, etc.).

☒ Make other investments.

Invested in a \$150,000 security at Holding Company level.

☒ Increase reserves for non-performing assets.

Increased ALLL of the bank by \$400,000.

☒ Reduce borrowings.

Paid down \$1,000,000 on LOC at Holding Company level.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

Increased non-leveraged total capital of the bank by \$1,650,000.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Pan American Bank is a Community Development Financial Institution that remains committed to the mission of serving low and moderate income communities in our market area. As such we are a very active participant in offering loan and deposit products and services to the communities we serve. In our market area there has been, and there continues to be a strong need and demand for loans. Pan American Bank has been an active participant in providing much needed financing, which has helped redevelop communities and create much needed jobs at a time when many banks are not willing or able to lend. The capital infusion of CPP/CDCI funds has allowed us to continue to make loans and continue to meet the financing needs of our communities. In terms of what actions we were able to avoid as a result of the capital infusion of CPP/CDCI funds: 1.) We were not forced to undertake a capital raise in what seems to be a difficult environment to do so, in order to continue to grow and meet necessary loan demand in our communities; and 2.) We were also able to avoid being distracted from our core business of providing much needed banking services to our communities, by not having to be distracted by undertaking a capital raise. The CPP/CDCI funds were very helpful to us in this regard.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

We were able to be an active participant in providing much needed loans to the communities we serve. The growth in capital at the Bank from CDCI funds infused to the Holding Company resulted in increased liquidity and capital strength for loan growth. After having received the CPP/CDCI funds in September of 2010 and based on much needed loan demand in our communities, Pan American Bank was able to fund a total of \$19,358,109.00 in new loans during the 4th quarter of 2010. This represents approximately an \$8.3 million dollar increase in lending activity over the Bank's average per quarter lending activity of approximately \$11 million per quarter over the prior 7 quarters, that being the 4 quarters of 2009 and the first 3 quarters of 2010. The Bank was able to increase its lending activity, while preserving its asset quality and providing much needed loans to small and mid-size businesses in our communities in order to help create jobs, as well as provide funding for affordable housing in our communities. Of total loans funded in the 4th quarter of 2010, approximately 95% or \$18,311,171 were for small and mid-sized businesses and affordable housing. Pan American Bank's ability to remain an active participant in lending has been of great benefit to the Bank's customers and communities and has had a positive and beneficial impact on the Bank's growth.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

As a result of the capital infusion of the CPP/CDCI funds, we were able to perform the following enhancements to the balance sheet which continue to ensure the strength, stability and financial viability as a CDFI in actively serving our communities: 1.) Reduce borrowings by \$1MM; 2.) Increase reserves for non-performing assets by \$400,000.00 in order to assure the Bank remains adequately and properly reserved for potential loan losses; 3.) Strengthened the bank's overall capital base by allocating \$1,650,000.00 as non-leveraged increase to total capital; 4.) Retained additional liquidity at holding company level for future capital injections to the bank as needed.